A PROPOSAL FOR CONTINUING THE BENEFIT ASSESSMENT PROGRAM IN THE NORTH CENTRAL FLOOD CONTROL ZONE

JANUARY 1990

Santa Clara Valley Water District

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SANTA CLARA VALLEY WATER DISTRICT

A PROPOSAL FOR CONTINUING THE BENEFIT ASSESSMENT PROGRAM IN THE NORTH CENTRAL FLOOD CONTROL ZONE

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JANUARY 1990

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INTRODUCTION

The 1981 Flood Control Benefit Assessment Program in the North Central Zone will expire on June 30, 1991. This program has been very important in increasing the level of protection from flooding in the zone by providing funds for increased maintenance and for construction of flood control projects. While much has been done in the zone since 1981 to reduce the potential for flood damage, there is much work remaining to be accomplished. There is still an estimated $200 million of potential damage that would result in the zone from 1% flooding. In addition to construction needs, the zone's maintenance needs continue to increase because of heavy silt and sediment deposition that occur during years of major flooding.

Ad valorem tax revenue is not sufficient to provide an adequate construction program. Relying on ad valorem tax revenue alone, the highest priority flood control project in the zone, Calabazas Creek, would not be accomplished until at least the year 2015. A continuation of the benefit assessment program in its current form would provide funds to construct the Calabazas Creek project by the year 1998; if higher benefit assessment rates were set and/or long-term debt were used the completion dates could be accelerated even more.

This report looks at the flood control needs of the North Central Zone, reviews the accomplishments in the zone since 1981, and discusses alternatives for accelerating flood control construction over the no-program alternative. It recommends a benefit assessment program through June 30, 2000, which would require a successful election in the zone prior to July, 1991, and presents a schedule for implementing the recommended program. The recommended alternative described herein was unanimously supported by members of the North Central Flood Control Zone Advisory Committee at their November 8, 1989 meeting.

THE NORTH CENTRAL FLOOD CONTROL ZONE

The North Central Flood Control Zone is one of five flood control zones in the District as shown on the map of Figure 1. The North Central Zone includes all of the watersheds that are tributary to Guadalupe Slough. It extends from San Francisco Bay southeast to the County line and includes some unincorporated area, the City of Saratoga and portions of the cities of Sunnyvale, Cupertino, Santa Clara, San Jose, Campbell, Monte Sereno and the Town of Los Gatos. The zone's major creeks include Sunnyvale East Outfall, Sunnyvale West Outfall, Calabazas Creek, Saratoga Creek and San Tomas Creek.

The Flooding Problem

There are approximately 82 miles of creek or flood control channel in the North Central Zone that are within the District's limits of jurisdiction. Of these, 46 miles are inadequate to convey the 1% or 100-year design flood flows.

There are approximately 11,600 homes and 1,200 businesses subject to flooding from the 1% flood in the North Central Zone. The damage potential from a zone-wide 1% flood as shown in Table 1 is about $200 million. The area subject to flooding in the zone is outlined in the map of Figure 2 and is approximately 6,300 acres.

The potential damage from a 1% flood along the zone's highest priority project, Calabazas Creek, is about $60 million.

Projects to Provide Flood Protection

The District designs and builds flood control projects to provide protection from the 1%, or 100-year, flood. This level of protection is the standard used nationwide and is also used by the Federal Emergency Management Agency (FEMA) to determine mandated federal flood insurance. The following discussions summarize the District's project prioritizing process and briefly review the highest priority projects in the zone. Table 2 lists the projects according to their priority ranking and summarizes the estimated project costs for each. The total estimated cost is about $164 million in 1989 dollars.

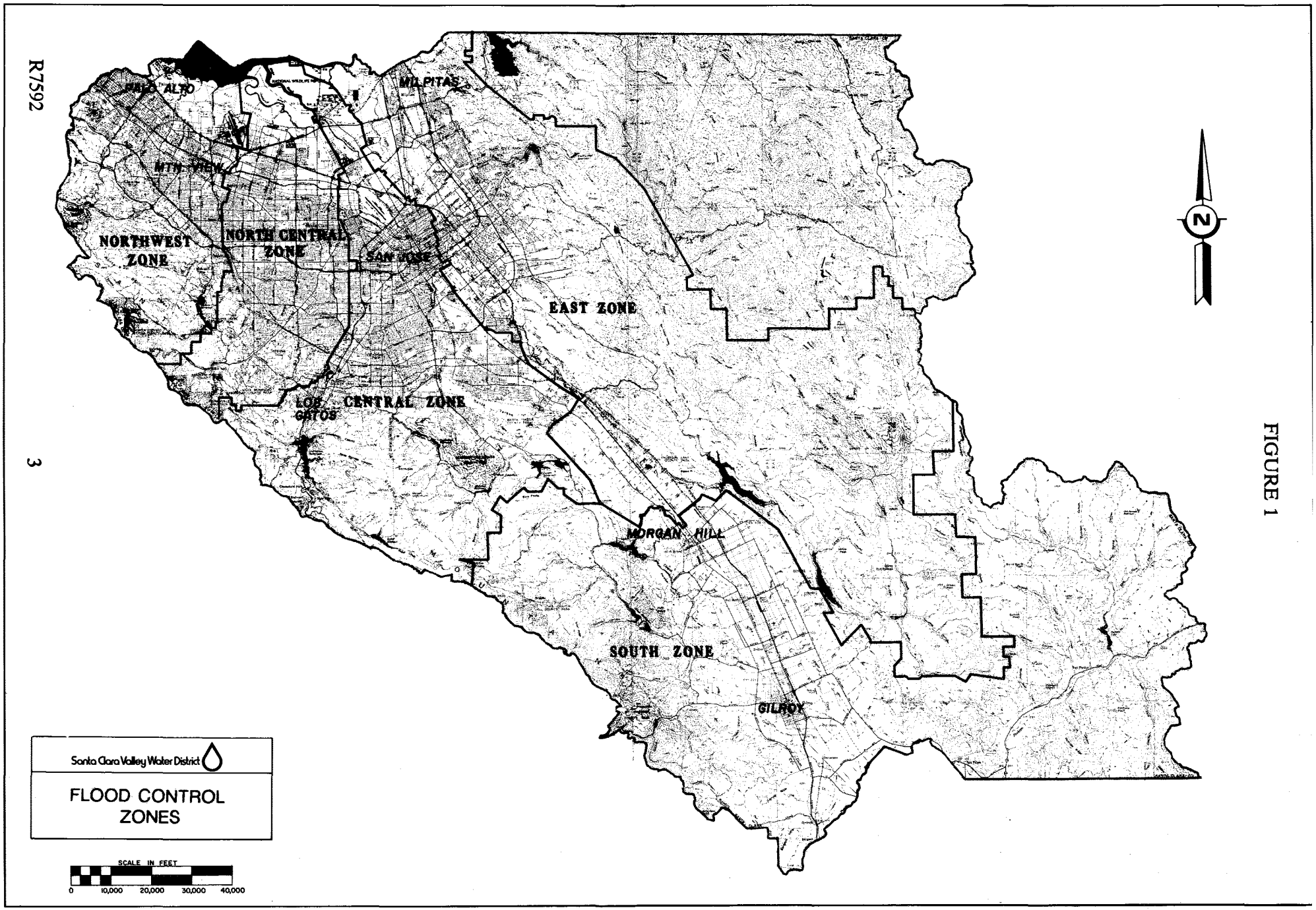

PALO ALTO
MILPITAS
MTN VIEW
NORTHWEST ZONE
NORTH CENTRAL ZONE
SAN JOSE
EAST ZONE
LOS GATOS
CENTRAL ZONE
MORGAN HILL
SOUTH ZONE
GILROY
Santa Clara Valley Water District
FLOOD CONTROL ZONES
SCALE IN FEET
0
10,000
20,000
30,000
40,000

FIGURE 1

TABLE 1

SUMMARY OF POTENTIAL FLOOD DAMAGES
IN THE NORTH CENTRAL ZONE
(1989 DOLLARS)

Length of Creeks	82 Miles
Length of Creeks that are Inadequate	46 Miles
Area Flooded from a 1% Flood	6,300 Acres
Potential Damages from a 1% Flood:	
Single Family Homes	$47,000,000
Apartments	38,000,000
Commercial/Industrial	112,000,000
Public Facilities	1,000,000
Other Facilities	2,000,000
TOTAL	$200,000,000*

* 10% of this is from saltwater flooding.

FIGURE 2

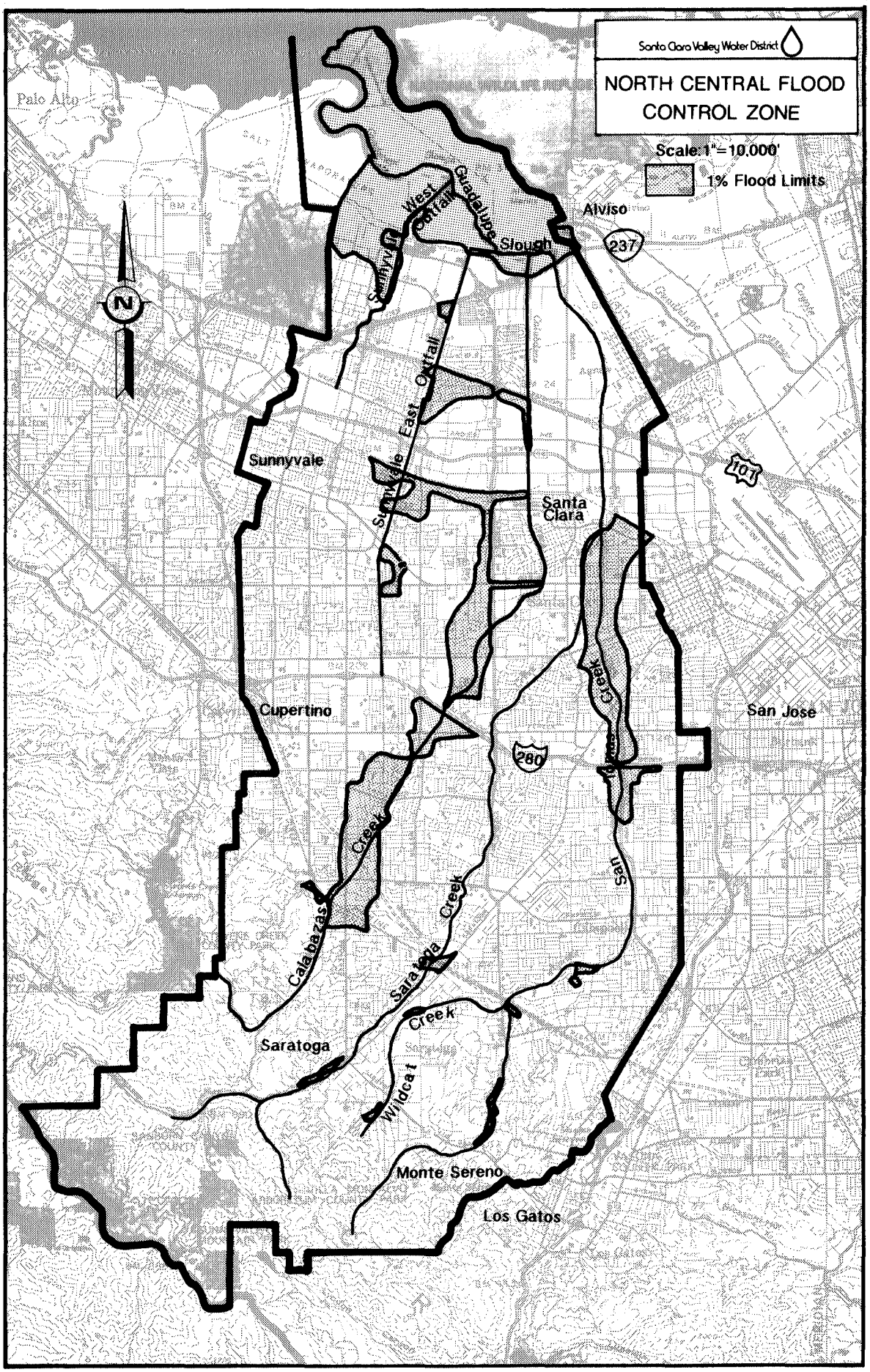

Santa Clara Valley Water District
NORTH CENTRAL FLOOD CONTROL ZONE
Scale 1"=10,000'
1% Flood Limits
Palo Alto
Alviso
237
West Outfall
Guadalupe Slough
Sunnyvale
East Outfall
Sunnyvale
Santa Clara
101
Cupertino
San Jose
280
Calabazas Creek
Saratoga Creek
San Tomas Aquino Creek
Saratoga
Wildcat Creek
Monte Sereno
Los Gatos

TABLE 2

NORTH CENTRAL ZONE
FLOOD CONTROL PROJECTS

Project	Cost in 1989 Dollars
Calabazas Creek, Bay to Miller	$13,700,000
Calabazas Creek, Miller to Wardell	6,930,000
Sunnyvale East	5,030,000
Saratoga, Prospect - Fourth Street	550,000
San Tomas Creek, Pollard-Canon Drive	1,050,000
Sunnyvale West	700,000
Wildcat Creek	950,000
Sediment Basins (2)	5,000,000
San Tomas Creek Box Culvert	65,000,000
Bayfront Levees	65,000,000
	$163,910,000

Project Prioritizing and Scheduling

The North Central Zone flood control projects are prioritized based on eight separate criteria that were established with the assistance of the Flood Control Zone Advisory Committees in the mid-1970's. The primary and most heavily weighted criterion in the ranking of projects is the amount of flood damage (in dollars) that could be prevented if the facility were constructed.

Projects are generally scheduled in the order of their priority ranking except in the case of a cooperative project or a project that would induce flooding. If the project is a cooperative project with a city, the County or federal government, project schedules may be shifted to accommodate the project timing of the cooperating agency. Project scheduling is also shifted out of the priority ranking if, by constructing the project, the District would induce a greater level of flooding downstream. Rather than induce downstream flooding, the District would schedule a required downstream improvement first (even though it may have a lower priority) and then proceed with the upstream project.

Because flood control projects can range in cost from hundreds of thousands to tens of millions of dollars, project funding is a major factor that affects the scheduling of flood control projects. The District schedules the highest priority project as sufficient cash is projected to be available to fund its construction. Funding-related delays have resulted when there was a decrease in anticipated revenue, when a project cost increased significantly over earlier estimates, or when an unanticipated event occurred that required the use of funds for major maintenance repairs needed as a result of storm damage.

Priority Projects

As mentioned earlier, Calabazas Creek is the North Central Zone's highest priority project. It has been separated into two phases: (1) the reach from the bay to Miller Avenue, which is only able to convey up to the 7-year flood (a flood that has a 14% chance of being equaled or exceeded in any year) and will require about $14 million to provide 1% flood flow carrying capacity; and (2) the reach upstream of Miller Avenue, which is able to convey an 8 year flood and will require about $9 million of improvements to provide 1% capacity.

The Sunnyvale East Outfall can only safely convey a five-year flood (a flood that has a 20% probability of being equaled or exceeded in a given year). Channel improvements required to increase the capacity of the channel to the 1% flood flow would be about $5 million.

The Sunnyvale West Outfall will require about $0.7 million of improvements to increase the channel's current capacity from a 10% (ten-year event) to a 1% flood flow.

San Tomas/Saratoga Creeks and Calabazas Creek are subject to significant sediment deposition. In order to alleviate this problem, silt and debris basins must be considered at the headwaters of Saratoga Creek and one for the headwaters of Calabazas Creek.

San Tomas Aquino Creek can convey an 8% flood and has a damage potential of over $100 million. The major reach that is inadequate to convey the 1% flood is the 4-mile-long box culvert underneath San Tomas Expressway, from Cabrillo Avenue to Williams Road. The cost to provide 1% flood flow carrying capacity for this project is quite high and will require careful analysis.

There is also the potential for saltwater flooding in the baylands area of the zone. The potential saltwater flooding damage is estimated at $20 million. The cost to provide protection for this project is quite high. There had been hopes that the Corps of Engineers would find that the project had a sufficient benefit cost-benefit ratio for them to take on the project. Their 1989 report on the bayfront levees, however, did not conclude such finding.

Flood Insurance

Owners of the 11,600 residences and 1,200 businesses located in areas subject to flooding as designated by the Federal Emergency Management Agency flood maps either have flood insurance or would be required by their future lenders to carry flood insurance when applying for federally guaranteed loans. Once the flood control facilities in the vicinities of these properties are improved to carry the 1% flood flows, the federal flood insurance maps can be revised. Flood insurance is then no longer mandatory. Removal of this insurance requirement is one of the benefits of providing 1% flood protection.

MEETING THE COSTS OF PROVIDING FLOOD PROTECTION

To meet the costs of providing flood protection, the North Central Zone has two primary sources of revenue. They are its allocated share of the countywide 1% ad valorem tax and flood control benefit assessments levied throughout the zone. The principal method of financing its flood control projects has been pay-as-you-go although the zone has used general obligation bonds in the past. Long-term debt financing is a method that could be used by the zone to fund its projects. These revenue sources and project financing sources are discussed below in more detail.

Ad Valorem Tax

Currently the zone receives approximately 55% of its annual revenue from its allocated share of the 1% countywide ad valorem tax. This is approximately equal to the zone's general operating costs of regular maintenance, operations, planning, administration and debt service on its 1965 general obligation bonds which will be paid off in 2003.

For the past ten years, the ad valorem tax revenue has increased at about 11% per year because of the 2% annual increase allowed by Proposition 13, new construction and property resales. Even with this increase, there has not been an increase in funds available for construction from this source because of the growth of the maintenance and other programs. In order to provide funds for construction, the zone has relied on its flood control benefit assessments.

Benefit Assessments

The North Central Zone will receive about 42% of its income this year from flood control benefit assessments. The benefit assessment program was initially levied by the Board in 1981-82 and subsequently approved by the voters in 1982 for nine more years. It has provided funding for both an increased maintenance program and the construction program. This source of revenue has been very important to the zone. The current program is scheduled to expire on June 30, 1991 unless it is continued by the voters.

A later section in this report reviews the current benefit assessment program in more detail followed by a section that considers various alternatives for continuation of a benefit assessment program to meet future flood control needs once the current program expires.

Pay-As-You-Go Funding

The North Central Zone has been funding construction of its flood control projects primarily on a pay-as-you-go basis. It accumulates funds until they are sufficient to build a meaningful section of a project. This method has been used because the current benefit assessment program did not provide assurances of adequate revenue for a sufficient period of time to meet debt service on long-term debt obligations.

Debt Financing

Long-term debt financing is a method of accelerating construction of flood control facilities versus a pay-as-you-go basis. The prerequisite for using this method of funding a project is having a source of revenue that can be relied on to repay the debt. (The existing benefit assessment program only had a ten-year guarantee of revenue to meet debt service payments.)

An advantage of using long-term debt financing when conditions permit is that the burden of paying for the projects would be shifted from the years preceding construction to the years after construction. Thus, the people who would continue to enjoy the benefits of having the flood protection would be paying for the facilities that provide those benefits. A possible disadvantage of debt financing is the burden of interest on the debt; however, interest costs can be offset to some extent by future rates of inflation in construction and right of way costs that would be avoided by early construction.

A separate report entitled Debt Financing Alternatives Available to the Santa Clara Valley Water District to Construct Flood Control Facilities, July 1986, was prepared by Dinkelspiel Belmont and Company, Inc. This report reviewed the various possible methods of both long-term and short-term debt financing for construction of flood control projects for the District's individual

flood control zones. Conditions have not changed to alter the findings of that report which recommended non-profit corporation lease revenue securities or certificates of participation.

Since that report was prepared the District has issued $21,550,000 of certificates of participation in 1988 to build flood control projects in the Northwest and South Flood Control Zones. It was possible to meet debt service assurances for those zones because of the debt service provision that was included in their benefit assessment programs when they were changed in 1986. That provision in the Northwest, Central, East and South Flood Control Zones stated that the assessment programs shall expire on June 30, 2000 except as required to service debt acquired before 1995. The North Central Zone does not have such a provision.

Dinkelspiel Belmont and Company has provided an updated analysis which demonstrates that, with a debt service provision and various anticipated levels of increased benefit assessment revenue, debt financing is feasible in the North Central Flood Control Zone.

THE 1981 BENEFIT ASSESSMENT PROGRAM

An Overview of the Program

In June of 1981, the District's Board of Directors levied benefit assessments to provide an increased level of flood protection in each of the flood control zones. The goals of the program were to provide sufficient funds to substantially increase the maintenance program and provide for construction of new projects that would reduce 1980 countywide flood damages by approximately 60%. For the North Central Zone the percentage of flood damage reduction anticipated was about 40%.

The benefit assessment program was levied in accordance with then existing state legislation that had been passed to assist flood control districts in providing replacement funding for that which was lost due to passage of Proposition 13. In order for the benefit assessment program to continue after 1981-82, the law required voter approval within the year. In June 1982, the voters, in an election within the five combined flood control zones, approved continuation of the program by over 73%. The approval rate in the North Central Zone was slightly higher than the countywide average.

When the Board established the program in 1981, they set initial rates and imposed two restrictions, a "cap" and "sunset". The "cap" provision limited increases in the assessment rates to 2% per year. Under the "sunset" provision, the program could not continue past 1990-91 without voter approval. Flood control benefit assessments are currently governed by the Benefit Assessment Act of 1982. This Act requires voter approval for any new benefit assessment program prior to levy of assessments.

Benefit Assessment Rates and Revenue

State law permits spreading benefit assessments based on proportional storm water runoff from different land uses. On this basis, the District determines the assessments for each of the nearly 100,000 parcels in the North Central Flood Control Zone according to each parcel's area and its relative amount of storm water runoff that could be expected based on its land use. The parcels

in the zone have been grouped into five main land use categories. These categories and their corresponding assessment rates for 1989-90 are presented in Table 3.

Program Summary Since 1981

Table 4 summarizes the actual and projected North Central Zone revenue and expenses for the ten-year period of the current program. It specifically identifies the revenue from benefit assessments and the expenditures for construction and maintenance.

During the 8-1/2 years since the inception of the benefit assessment program in 1981, the North Central Zone has met its goal of providing increased flood control maintenance and it has met its goal of constructing the channel improvements that were identified at the onset of the program. These projects are presented in Table 5. The major accomplishment of the zone during this period was completion of the Saratoga Creek project.

Projects That Were Not Anticipated in 1981

Since 1981 when the original benefit assessment program was implemented, several projects that were not anticipated then have been either implemented or identified. Two projects that have been implemented were the raising of the Guadalupe Slough levees at a cost of $1.9 million and extraordinary storm damage repair from the 1982, 1983 and 1986 storms of about $1.8 million. The levee raising is something that is required about every 10 to 15 years. The estimated cost for raising the levees in the late 1990s, as expressed in 1989 dollars, is about $3.6 million. Because sediment deposition is so great from large flooding events, periodic major expenditures for silt removal can be expected in the future. However, extraordinary storm damage repair costs cannot be estimated with any degree of accuracy.

Following the flooding events of 1986, a review of the flood flow carrying capacity of Calabazas Creek downstream of Lawrence Expressway was reanalyzed and it was found that several bridges were acting as constrictions and will need to be replaced. The increased cost of the Calabazas Creek project from the Bay to Lawrence Expressway is about $6 million.

TABLE 3

NORTH CENTRAL ZONE
1989-90 BENEFIT ASSESSMENT RATES,
MINIMUM PARCEL ASSESSMENTS AND
ESTIMATED TOTAL REVENUE
UNDER THE EXISTING PROGRAM

LAND USE CATEGORY		Rate ($/Acre)	Minimum Assessment* ($)
A -	Commercial/Industrial	108.32	27.08
B -	Apartments, Schools, High Density Residential	81.25	20.30
C -	Single Family Residential	-	13.52
D -	Utilized Agricultural	0.676	6.76
E Urban -	Non-utilized Agricultural, Grazing Land, Salt Ponds, Well Sites in Urban Areas	0.203	2.02
E Rural -	Non-utilized Agricultural, Grazing Land, Well Sites in Rural Areas	0.025	2.02

Estimated Benefit Assessment Revenue for the year is $2,206,000

*The minimum assessments shown for Categories A, B and C apply to parcels that are 1/4-acre or less in size. Category C parcels larger than 1/4-acre are assessed the minimum for the first 1/4-acre and the remaining acreage is assessed at the Category D rate. For Categories D and E Urban the minimum assessment applies to parcels less than ten acres. The minimum assessment for Category E Rural is equal to the minimum assessment for E Urban and applies to parcels 80 acres or less.

TABLE 4

NORTH CENTRAL ZONE
TEN YEAR SUMMARY OF REVENUE AND EXPENDITURES
FOR THE 1981 BENEFIT ASSESSMENT PROGRAM*

	Revenue		Expenses		
Year	Tax & Other Income	B/A Income	Construction	Maintenance	Other**
1981-82	$1,762,000	$ 1,589,000	$ 2,533,000	$ 757,000	$1,004,000
1982-83	1,932,000	1,739,000	1,518,000	988,000	960,000
1983-84	2,046,000	1,807,000	312,000	1,716,000	921,000
1984-85	2,047,000	2,150,000	1,052,000	2,345,000	1,028,000
1985-86	2,359,000	2,040,000	1,033,000	1,871,000	1,122,000
1986-87	3,553,000	2,076,000	2,491,000	1,587,000	1,369,000
1987-88	2,659,000	2,162,000	2,542,000	1,169,000	1,632,000
1988-89	2,734,000	2,174,000	1,867,000	1,602,000	2,540,000
1989-90	2,976,000	2,206,000	1,800,000	2,100,000	1,774,000
1990-91	3,270,000	2,250,000	2,000,000	1,900,000	1,640,000
	$25,338,000	$20,193,000	$17,148,000	$16,034,000	$13,990,000

* Actual and projected expenses exceed revenues by about $1,600,000 for the ten-year period.
** Other includes administration, planning and operations costs as well as debt service on the general obligation bonds.

TABLE 5

NORTH CENTRAL ZONE
PROJECTS COMPLETED SINCE JUNE 1981

Project	Amount	Year Completed
San Tomas Creek, Bayshore to Saratoga Creek	$ 2,936,000	1982
Calabazas Culverts at Benton, Pomeroy and Lawrence	1,085,000	1982
Saratoga Creek:		
Cabrillo to Benton	2,336,000	1985
Benton to Homestead	4,508,000	1987
Homestead to Pruneridge	4,508,000	1988
TOTAL	$13,564,000	

Additional work may be identified for the zone as a result of a study that is being conducted by the Federal Emergency Management Agency (FEMA). They have initiated a restudy of the flooding limits from the 1% flood in Santa Clara County. In this study, emphasis will be focused on creeks that have levees and the application of the recent FEMA guidelines for levees. Under the new guidelines, FEMA requires higher levees relative to flood levels than it did when the levees in the North Central Zone were constructed. The potential impact from this study is that the levees on several of the creeks in the bayland region will have to be raised in order to remove areas surrounding such streams from the federally mandated flood insurance requirements. Costs to comply with the new criteria could be in the multi-millions of dollars.

FUNDING ALTERNATIVES TO MEET FUTURE FLOOD CONTROL NEEDS

In 1986, the Board of Directors and District staff reviewed several methods of providing supplemental funding to all zones to accelerate the flood control construction program and to provide a method of generating revenue to meet the costs of flood damage repair should they be significant in any given year.

The Board favored benefit assessments on a zone by zone basis as a continued source of supplemental revenue. This provides funds to accelerate construction of new facilities and can be structured to provide flexibility so that the costs of extraordinary damage to flood control facilities could be recovered soon after a major natural disaster. Assessment revenue can also be leveraged through debt financing by utilizing such revenues to service debt on certificates of participation, for example, and thereby constructing projects earlier.

In 1986, new benefit assessment programs were placed before the voters in all of the District's zones except the North Central Zone and were approved. The Board said that it would reconsider the benefit assessment needs of the North Central Zone before its program expires in 1991. The following discussion considers several alternatives for continuing a flood control benefit assessment program in the North Central Zone past the current 1991 sunset.

Features of a Benefit Assessment Program

The current benefit assessment program in the Northwest, Central, East and South Zones included initial rates, an annual inflator or "cap" of these rates, and an expiration date or "sunset". For these four zones, there are two other components included in 1986 that were not in the 1981 program: a debt service provision and a provision for funding repairs of extraordinary flood damage to District facilities. The following discussion describes each of these program features and reviews them in terms of their applicability to the North Central Zone.

The BAU Rate

The benefit assessment unit (BAU) rate is equal to the minimum rate for residential parcels. All of the other rates for other land use categories have a mathematical relationship tied to the residential assessment BAU rate. The initial BAU rate under the existing program for 1981-82 was $11.56. The rate for 1989-90 is $13.52. If the program were to continue, the rate for 1991-92 would be $14.06.

The benefit assessment alternatives described in the next section consider a range of rates varying from 0, in which the program is allowed to expire, to two times the current rates.

The Rate Cap

The current North Central Zone program provides an annual 2% limit on the increase in assessments. In 1986, this provision was changed in the other four flood control zones to allow an annual increase in the assessment rates equal to the increase in the Consumer Price Index (CPI) for Urban Consumers in the San Francisco Bay Area. The alternatives discussed below consider both the 2% and the CPI caps.

The Sunset

The current program has a ten-year expiration date or sunset from the initial benefit assessments levied in 1981. The 1986 programs in the other zones have a sunset of June 30, 2000.

To be consistent with the other zones in this regard, all of the alternatives discussed below have assumed a June 30, 2000 sunset date.

The Debt Service Provision

The debt service provision would provide a basis for securing and repaying long-term debt and would allow the sunset to be extended by the amount of time required to pay back the debt. The benefit assessment programs in the other zones limit the time period to enter into such debt to the year 1995.

Three of the alternatives consider a debt service provision, however, only one assumes a construction schedule that uses proceeds from long-term debt. In this alternative, although no time

limit for entering into debt as exists in other zones was assumed, issuance of long-term debt instruments was estimated to take place by 1995.

The Extraordinary Flood Damage Repair Provision

The 1981 benefit assessment program did not have a provision for temporarily raising rates to cover the cost of repair of extraordinary damage to District flood control facilities. The 1986 benefit assessment programs, however, added a provision that would allow the board to increase the benefit assessment rates for up to two years following a declared state or federal disaster. The rates could be revised only as required to cover the cost of repairing extraordinary damage to District facilities. This provision was assumed in all of the following alternatives except the continuation of the present program.

Detailed Review of Alternatives

Six alternatives have been analyzed for the North Central Zone. They range from a do-nothing alternative, in which the benefit assessment program is allowed to expire to a doubling of the current rates. Most of the alternatives consider pay-as-you-go financing, while one alternative uses long-term debt financing.

In addition to financial considerations, consideration was given to the timing and lead time requirements for constructing the flood control facilities. For example, a doubling of the rate and use of long-term debt could provide sufficient funds in the year after a successful election to build all of the projects except the San Tomas Aquino box project and the Bayfront levee project. As a practical matter, this would not be possible, however, because of the lead time needed for predesign, environmental clearance, public involvement and design. All of the alternatives considered in this report assumed reasonable lead times and it is anticipated that the projects are buildable as shown in the schedules up to the year 2000. The schedules past that time are shown to give a relative comparison between the alternatives.

Because of the significant project cost and correspondingly low flood control benefits that can be achieved from the San Tomas box culvert project and the Bayfront levee project, they were not considered in the discussion that follows. They are, however, shown in Figure 3 which graphically summarizes all of the alternatives.

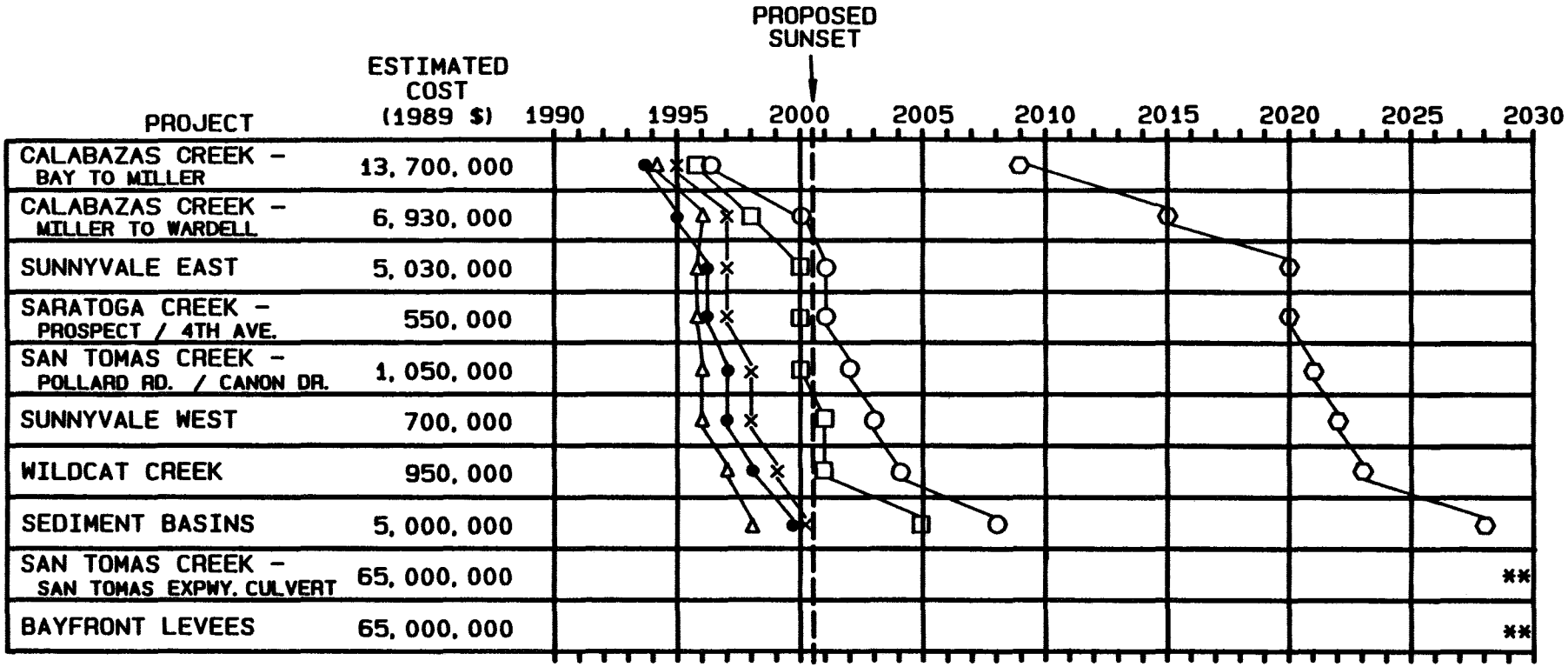
Alternative 1

This is the no-program alternative. It assumes that the benefit assessment program expires on June 30, 1991 and is not continued or replaced. The advantage of this alternative is that the parcel owners of the zone will not have to pay an annual benefit assessment. The disadvantages are that it will be at least 25 years before the Calabazas Creek project will be completed and nearly 40 years before all of the considered flood control projects in the zone will be completed. This would extend the time that the zone would be exposed to the threat of flood damage and the need for flood insurance. Any needed major storm damage repairs as well as any other unforeseen costs would further delay completion of the projects.

Alternative 2

This alternative would be a continuation of the 1981 program with no change in rates or annual rate increase limits and no debt financing. Under this alternative, the advantages are that there would be no major increase in benefit assessment rates and that the considered flood control projects would be completed 20 years sooner than in Alternative 1. Calabazas Creek project would be completed in the next 10 years. The disadvantages are: (1) major repair of any extraordinary damages to District flood control facilities due to natural disaster would delay project completion dates, (2) scheduling of the Calabazas Creek project will be dependent on availability of pay-as-you-go construction funds over the next 10 years, (3) the existing 2% cap will diminish the annual value of the benefit assessment revenue if inflation is greater than 2% and (4) any unforeseen additional costs that may develop (such as complying with new FEMA guidelines) will result in a delay of the construction schedule.

NORTH CENTRAL ZONE
BENEFIT ASSESSMENT ELECTION ALTERNATIVES*



* THIS GRAPH IS FOR PLANNING PURPOSES ONLY. IT IS BASED ON THE BEST INFORMATION AVAILABLE AS OF 1/10/90 AND IS SUBJECT TO CHANGE.

** FOR ALL ALTERNATIVES, CONSTRUCTION OF THIS PROJECT WILL NOT BE COMPLETED UNTIL AFTER THE YEAR 2030.

LEGEND

- ⬡ ALTERNATIVE 1: BAU=0 AFTER 1991
- ○ ALTERNATIVE 2: BAU=$14.06, CAP=2%, NO COP'S
- □ ALTERNATIVE 3: BAU=$14.06, CAP=CPI, NO COP'S
- RECOMMENDED → ● ALTERNATIVE 4: BAU=$14.06, CAP=CPI, COP'S=$20,000,000
- × ALTERNATIVE 5: BAU=$21.00, CAP=CPI, COP'S=0
- △ ALTERNATIVE 6: BAU=$28.00, CAP=CPI, COP'S=0

FIGURE 3

Alternative 3

This alternative is very similar to Alternative 2 except that it would have an emergency repair provision and an annual cap on assessment rates equal to the increase in Bay Area CPI. This alternative did not use a long-term debt provision.

The primary reason for including this alternative was to show the effect of a fixed 2% cap versus a CPI cap if average inflation were 5% per year. The result would be that with the CPI cap, facilities would be constructed approximately one to three years sooner than with the 2% cap. Any unforeseen costs would result in a delay of the construction schedule.

Alternative 4

This alternative keeps the initial BAU rate consistent with the current program at $14.06 for 1991-92. It would have a CPI cap, debt service provision and an emergency repair provision. In this alternative, a total long-term debt of $20,000,000 was assumed. This would allow up-front construction of the Calabazas Creek projects as soon as lead time requirements are met. The schedule shows the Calabazas projects being completed in about five years and the remaining projects completed by the year 2000. This alternative completes the projects in an accelerated time frame - especially the Calabazas Creek project - compared to the earlier alternatives. The disadvantage of this alternative is that the benefit assessments would need to continue after the year 2000 to pay the debt service of the long-term debt. The compensating advantage of this is that those who are benefiting from the project will be paying for it, and that the payment of the interest cost of long-term debt will be offset by the cost of inflation that would otherwise have occurred if the project had to wait for pay-as-you-go funding. There is capacity for servicing between $10 and $15 million of additional long-term debt that could be used to meet unforeseen costs. Should this additional capacity be used, however, it would result in nearly 100% of the annual benefit assessment revenues being applied to debt service.

Alternative 5

This alternative looks at increasing the benefit assessment rate 1.5 times the current rate to $21. Although no long-term debt financing is used in this alternative to accelerate construction

schedules, it is recommended that the long-term debt provision be included in order to provide flexibility in scheduling projects and to be available for use in the case that unforeseen costs may develop. The construction schedule shows completion of the considered projects by the year 2000, the same as in Alternative 4, and 28 years sooner than the no-program alternative. Completion of the Calabazas Creek project would be delayed about two years compared with the Alternative 4 schedule. An advantage of this alternative is that it does not carry debt beyond the sunset period. The downside, however, is that the rates would be higher than they currently are.

Alternative 6

This alternative is similar to Alternative 5 except that the initial BAU rate would be two times the current rate (rather than 1.5 times as in Alternative 5). This alternative shows completion of the considered projects by the year 1998, two years earlier than in Alternatives 4 and 5. It completes the Calabazas Creek project one year later than Alternative 4 and one year earlier than Alternative 5. Once again, although no long-term debt financing is used in this alternative to accelerate construction schedules, it is recommended that the long-term debt provision be included in order to provide flexibility in scheduling projects and to be available for use in case unforeseen costs develop. The advantages of this alternative are that the priority projects are built in a timely manner and there is no debt repayment carried past the end of the period. The disadvantage is that the rates would be twice as high as they currently are.

RECOMMENDATION

The recommended alternative is Alternative 4 which would continue with a benefit assessment program in the North Central Zone starting in FY 1991-92 that would have the same first year rates as under a continuation of the current program, would allow for annual increases in the rate to keep up with the rate of inflation, and would provide for extraordinary flood damage repair following declared disasters. The use of $20,000,000 in long-term debt would allow for completion of major projects by the year 2000, the same completion date as in Alternative 5 which would require increasing the rates by 1.5 times. Figure 4 compares the annual funds available for construction and debt service under the no-program alternative and the recommended alternative.

Included in the appendix is a sample ballot measure for the June 5, 1990 election. Also included are two sample resolutions: one to call the election and one to specify the program.

The alternatives included in this report were presented to the North Central Zone Advisory Committee which preferred Alternative 4 and recommended it to the Board. The features that the Committee liked were the fact that there would be no changes in rates and that the highest priority projects, especially Calabazas Creek, could be built in a timely manner.

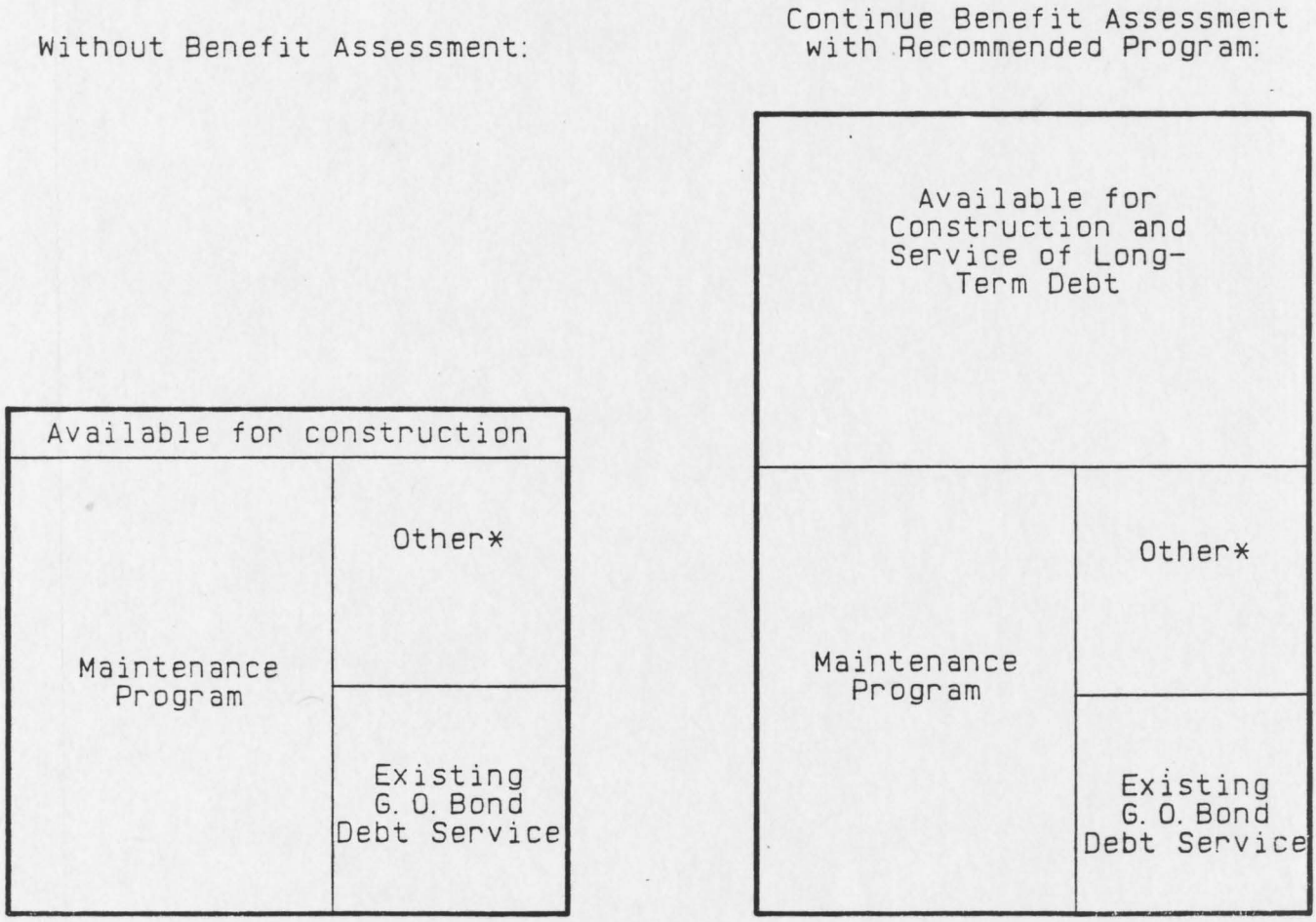
Staffing Needs

In December 1986, staff prepared a detailed report on staffing needs for the flood control unit to meet the accelerated schedules under the revised benefit assessment programs approved by the voters in November 1986. The schedule that was presented in that report for the North Central Zone was very similar to the one shown in this report for the recommended alternative. The 1986 report demonstrated need for several new positions, most of which have been created and filled. In addition to the new positions, it was anticipated that there would be a heavy reliance on consultant support, especially in the design phase, to meet peak workload needs.

FIGURE 4

COMPARISON OF SIZE AND ALLOCATION OF TOTAL ANNUAL

NORTH CENTRAL ZONE EXPENDITURES FOR 1991-92



*Other includes administration, planning and operations program costs.

At the present time, it is anticipated that the recommendations of the 1986 staffing report are still valid and that most of the additional staffing needs resulting from an accelerated construction schedule in the North Central Zone will be met through consultant services. As projects progress, should it become apparent that additional staff will be needed in order to meet the proposed project schedules, the additional staffing needs would be brought to the Board through the regular budget process. The most likely areas of where additional staffing may be needed are in the engineering support services and project inspection.

Comparison of Recommended Program with Programs in Other Flood Control Zones

Table 6 compares the recommended alternative with the benefit assessment programs in the other zones as approved in 1986. All of the zones would have the same sunset date, the same annual cap limit, provisions for repair of extraordinary flood damage, and long-term debt. The North Central Zone rates would be either 1/2 or 1/3 the rates in the other zones and would have until the year 2000 to enter into long-term debt instead of until June 30, 1995 as in the other zones.

Schedule for Implementing Recommended Alternative

Table 7 lists the major dates that need to be met in order to submit the recommended program to the voters in June of 1990. There is another general election date available for submitting this matter to the voters before the 1981 program expires, namely in November 1990. Special elections could also be called in March and June 1991.

NORTH CENTRAL ZONE
BENEFIT ASSESSMENT PROGRAM
ELECTION CONSIDERATIONS

ITEM	CURRENT NC ZONE	PROPOSED	COMPARISON WITH OTHER ZONES	
			NW & SOUTH ZONES	CENTRAL & EAST ZONES
MAXIMUM BAU	$13.52	$14.06	$43.60	$27.26
SUNSET	JUNE 30, 1991	JUNE 30, 2000	JUNE 30, 2000	JUNE 30, 2000
DEBT SERVICE PROVISION	NONE	YES	YES	YES
LAST YEAR TO SELL COP'S	-	JUNE 30, 2000	JUNE 30, 1995	JUNE 30, 1995
ANNUAL RATE INCREASE LIMIT	2%	CPI	CPI	CPI
EMERGENCY DAMAGE RECOVERY PROVISION	NONE	YES (2 YEARS)	YES (2 YEARS)	YES (2 YEARS)

TABLE 6

TABLE 7

SCHEDULE TO IMPLEMENT PROPOSED PROGRAM

January 1990	Staff report to Board recommending continuation of a benefit assessment program in the North Central Zone.
February 1990	Review of staff report with North Central Flood Control Zone Advisory Committee.
March 5, 1990	Last regular Meeting for Board to adopt resolutions required to hold June 1990 election (see Appendix for draft resolution and ballot statements).
March 9, 1990	Last day to file election resolution with Clerk of the Board of Supervisors. (See Appendix for draft resolution and ballot statement.)
March 19, 1990	Last day to file arguments in favor of measure with Registrar of Voters.
March 29, 1990	Last day to file rebuttals with Registrar of Voters.
June 5, 1990	Election.
June 1991	Staff presents final recommendations for 1991-92 benefit assessment rates.
July 1991	Rate hearings; Board sets 1991-92 benefit assessment rates.
January 1991	First revenues received under new benefit assessment program.
February 1992	Begin preparation for issuance of Certificates of Participation.

*The November 1990 election is the last general election available to hold a benefit assessment election in the zone before the 1981 Benefit Assessment Program expires. It would also be possible to hold special elections in March and June 1991.

APPENDIX

SAMPLE MEASURE FOR

JUNE 5, 1990 BALLOT

MEASURE _____

FOLLOWING EXPIRATION IN JUNE 1991 OF THE CURRENT BENEFIT ASSESSMENT PROGRAM IN THE NORTH CENTRAL ZONE SHALL SANTA CLARA VALLEY WATER DISTRICT CONTINUE ITS PROGRAM OF BENEFIT ASSESSMENTS FOR FLOOD PROTECTION IN THAT ZONE SUBJECT TO CONDITIONS STATED IN DISTRICT RESOLUTION NO. 90-_____?

RESOLUTION NO. 90-

CALLING A SPECIAL ELECTION
TO BE HELD IN THE NORTH CENTRAL FLOOD CONTROL ZONE
OF SANTA CLARA VALLEY WATER DISTRICT
ON JUNE 5, 1990,
REQUESTING SERVICES OF REGISTRAR OF VOTERS,
REQUESTING CONSOLIDATION OF ELECTIONS,
AND SPECIFYING CERTAIN PROCEDURES
FOR THE CONSOLIDATED ELECTION

RESOLVED, by the Board of Directors of Santa Clara Valley Water District, as follows:

FIRST: A special election is hereby called to be held in the North Central Flood Control Zone (Zone Number Two), as established and existing within said District, which election is to be consolidated with the general election to be held on Tuesday, June 5, 1990, to submit to the qualified electors of said flood control zone the following question:

> Following expiration in June 1991 of the current benefit assessment program in the North Central Zone shall Santa Clara Valley Water District continue its program of benefit assessments for flood protection in that zone subject to conditions stated in District Resolution No. 90- ?

SECOND: The Registrar of Voters is requested to give notice of said election in accordance with law and to perform all other acts which are required for the holding and conducting of said election.

THIRD: The Board of Supervisors of the County of Santa Clara is hereby requested to order the consolidation of the special district election for the North Central Flood Control Zone with the other elections to be held on Tuesday, June 5, 1990, insofar as the North Central Flood Control Zone is concerned, and to provide that within the territory affected by said order of consolidation the election precincts, polling places, and voting booths shall in every case be the same, and that there shall be only one set of election officers in each of said precincts; and to further provide that the question set forth above shall be set forth in each form of ballot to be used at said election insofar as the same is held within said Flood Control Zone. Said Board of Supervisors is further requested to order the Registrar of Voters (a) to set forth on all sample ballots relating to said consolidated elections, to be mailed to the qualified electors of the North Central Flood Control Zone, the question set forth above and (b) to provide absentee voter ballots for said consolidated election for use by qualified electors of said Flood Control Zone who are entitled thereto, in the manner provided by law.

FOURTH: The Registrar of Voters is hereby authorized and requested to canvass, or cause to be canvassed, as provided by law, the returns of said special district election with respect to the votes cast for and against said question and to certify such canvass of the votes cast to the Board of Directors of Santa Clara Valley Water District.

A-3

FIFTH: The Clerk of this Board is hereby authorized and directed to certify to the due adoption of this resolution and to transmit a copy hereof so certified to the Board of Supervisors of Santa Clara County and to file a copy hereof so certified with the registrar of Voters of the County.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District this day of , 1990, by the following vote:

AYES: Directors

NOES: Directors

ABSENT: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Chairman of the Board of Directors

ATTEST: SUSAN A. PINO

_____
Clerk of the Board of Directors

RESOLUTION NO. 90-

PROVIDING FOR THE ESTABLISHMENT AND LEVY OF BENEFIT ASSESSMENTS TO PAY THE COST OF FLOOD CONTROL SERVICES IN THE NORTH CENTRAL FLOOD CONTROL ZONE OF SANTA CLARA VALLEY WATER DISTRICT SUBJECT, NEVERTHELESS, TO SPECIFIED LIMITS AND CONDITIONS

WHEREAS, the District maintains a flood protection system of levees, channels, drains, debris basins and other improvements upon which the lives and property of District residents depend, which said improvements must be kept in a safe and effective condition; and

WHEREAS, the California State Legislature has authorized the District to levy an assessment on each parcel of property within the District or any zone or zones thereof upon receiving the approving vote of a majority of the electorate of the District or of any zone or zones therein; and

WHEREAS, the purpose of the benefit assessment is to supplement other available but limited revenues to keep said improvements in a safe and effective condition, to enable the District to respond to emergencies, to perform maintenance and repair and to construct flood control and storm drainage facilities; now, therefore,

BE IT RESOLVED, by the Board of Directors of Santa Clara Valley Water District as follows:

FIRST: The Board hereby finds that since (a) flood control services are made necessary by stormwater runoff, and (b) the lands from which such runoff derives are benefited by provision of means of disposition which alleviates or ends the damage to other lands affected thereby, the most proper and equitable basis on which to levy the assessments is in proportion to the stormwater runoff attributable to the area and land use of each parcel assessed as such parcel is shown on the latest tax rolls.

SECOND: A special District Election will be called in the North Central Zone on the proposition of such levy of benefit assessments.

THIRD: If a majority of the electors in the zone voting at such election shall favor the proposition, the current benefit assessment program pursuant to Resolution No. 81-43 shall at its termination be replaced by the assessment program as authorized by this resolution and in its place the following program shall be instituted:

A. The General Manager of the District is directed to cause a written report to be prepared for each fiscal year for which a flood control benefit assessment is to be levied and to file and record the same, all as required by governing law. Said report shall contain a description of each parcel of real property in each established flood control zone of the District in which an assessment is to be levied and the amount of the assessment for each such parcel and shall contain separate estimates for each such zone of the cost, not otherwise offset by other available revenue, of providing flood control services therein during the ensuing fiscal year.

B. Upon receiving and filing the report the Clerk of the Board shall fix a time, date and place for a hearing on the report, preceded by notice published pursuant to Section 6066 of the California Government Code and by posting at least three copies of the notice in each established flood control zone of the District in which an assessment is to be levied.

C. The Board shall hear the matter as scheduled, or as postponed or duly continued. At the hearing, the Board shall hear and consider all protests. At the conclusion of the hearing, the Board may adopt, revise, change, reduce, or modify any assessment and shall make its determination upon each assessment described in the report and thereafter, by resolution, shall confirm the assessments. Such confirming resolution shall be adopted no later than August 1 in the fiscal year during which the assessment is to be levied and collected.

D. Thereafter the General Manager may cause the assessments to be corrected in the same manner as assessor's or assessee's errors may be corrected but based only upon any or all of the following:

1. changes or corrections in ownership of a parcel;

2. changes or corrections of address of an owner of a parcel;

3. subdivision of an existing parcel;

4. changes or corrections in the use of all or part of a parcel;

5. changes or corrections in the computation of the area of a parcel;

6. as to railroad, gas, water, telephone, cable television, electric utility right of way, electric line right of way or other utility right of way properties, changes or corrections with respect to the amount of benefit received from the flood control services rendered.

Changes and corrections must be made within four years of the date of the resolution confirming the assessment and are not valid unless and until approved by the Board.

E. The Clerk of the Board shall immediately file certified copies of the final determination of assessments and confirming resolution with the Auditor-Controller of the County of Santa Clara and shall immediately record with the County Recorder of said County a certified copy of the resolution confirming the assessments.

F. The benefit assessment for each parcel set forth in the final determination by the Board shall appear as a separate item on the tax bill and shall be levied and collected at the same time and in the same manner as the general tax levy for county purposes. Upon recordation of the resolution confirming the assessment such assessment shall be a lien upon the real property affected thereby.

G. Failure to meet the time limits set forth in this resolution for whatever reason shall not invalidate any benefit assessment levied hereunder.

H. No flood control benefit assessment shall be imposed upon a federal or state or local governmental agency. With said exception, a flood control benefit assessment is levied on each parcel of real property in the North Central Zone of the District subject to this resolution for the purposes stated in the report and in this resolution. Except for the minimum assessment as hereinafter indicated, the assessment for each parcel of real property in each such zone is computed by determining its area (in acres or fractions thereof) and land use category (as hereinafter defined) and then multiplying the area by the assessment rate applicable to land in such land use category. A minimum assessment may be levied on each parcel of real property having a land area up to 0.25 acre for Groups A, B and C, up to 10 acres for Groups D and E Urban and, for Group E Rural, the minimum assessment shall be that as calculated for the E Urban category.

I. Land use categories for each parcel of land in the District are defined and established as follows:

Group A: Land used for commercial or industrial purposes.

Group B: Land used for institutional purposes such as churches and schools or multiple dwellings in excess of four units.

Group C: (1) Land used for dwellings containing not more than four units. (2) The first 0.25 acre of a parcel of land used for single family residential purposes.

Group D: (1) Disturbed agricultural land, including irrigated land, orchards, dairies, field crops, golf courses and similar uses. (2) The portion of land, if any, in excess of 0.25 acre of a parcel used for single family residential purposes.

Group E: Vacant undisturbed land (1) in urban areas and (2) in rural areas including dry farmed land, grazing and pasture land, forest and brush land, salt ponds and small parcels used exclusively for well sites.

J. The assessment rates applicable to parcels in the various land uses shall be as prescribed by the Board of Directors in each fiscal year (July 1 through June 30) beginning with fiscal year 1991-1992 following the annual report and public hearing thereon, all as stated above and as required by law; provided, that the basic assessment unit (single family residential parcel) shall not exceed a limit of $14.06 in the North Central Zone, as adjusted by the percentage increases of the San Francisco-Oakland Consumer Price Index for all Urban Consumers in the year or years since April 30, 1991; provided, however, that a rate may be increased by up to two percent (2%) in any year; and provided, that in any period, not exceeding two years, immediately following a year in which the Governor of the State of California or the President of the United States has declared an area of said zone to be a disaster area by reason of flooding or other natural disaster, then to the extent of the cost of repair of District facilities damaged by such flooding or other natural disaster, such limits shall not apply to said zone; and provided, that benefit assessments shall not be levied beyond June 30, 2000 unless debt or other obligation has been duly authorized and incurred which depends on benefit assessments for service; and in that event assessments may be levied for but not beyond the period for which such debt obligation is outstanding, provided that such benefit assessments may not be levied in amounts in excess of the sums necessary to meet the annual repayments of such debt or other obligation.

PASSED AND ADOPTED by the Board of Directors of Santa Clara Valley Water District this day of , 1990, by the following vote:

AYES: Directors

NOES: Directors

ABSENT: Directors

SANTA CLARA VALLEY WATER DISTRICT

By: _____
Chairman of the Board of Directors

ATTEST: SUSAN A. PINO

_____
Clerk of the Board of Directors